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Commonwealth of Massachusetts Department of Revenue

Annual Report

Fiscal Year 1990

Michael S. Dukakis
Governor

L. Edward Lashman Jr.
Secretary for Administration and Finance

Stephen W. Kidder
Commissioner of Revenue

To the Honorable Michael S. Dukakis, Governor of the Commonwealth and the Honorable Members of the General Court of Massachusetts:

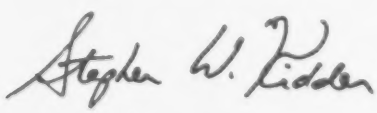
I am pleased to present to you the FY90 Annual Report for the Department of Revenue (DOR). In FY90, DOR moved forward with an ambitious agenda to institutionalize many of the enhancements to our tax administration, local services and child support enforcement programs that we have put in place over the past several years. At the same time, we made every effort to maintain our high standards of prompt, dependable customer service in a time of increasingly scarce fiscal resources.

Responding quickly and effectively to legislative and economic changes is critical to our success in serving the four million taxpayers of Massachusetts. During these tough fiscal times, we are even more committed to making sure individual taxpayers, custodial parents, businesses and local communities get the assistance they need.

For example, in FY90, despite a tax increase that changed the fundamental structure of the income tax, we were still able to issue taxpayer refunds in under two weeks, on average. Our Local Services Division continued to play a critical role in local finance, distributing more than $20 million in emergency funds appropriated by the legislature to ensure continuity of essential services in local communities. FY90 also brought us much closer to our goal of converting all existing child support cases from the courts to DOR, and saw the centralization of all new child support cases within the agency.

The upcoming fiscal year holds many challenges, as we build on our strong foundation of effective tax administration. Thank you for your continued support.

Sincerely,



Stephen W. Kidder
Commissioner of Revenue

Highlights Fiscal Year 1990

DOR revamps entire inventory of personal income tax forms to reflect significant new tax law changes.

Refunds on error-free tax returns issued, on average, in under two weeks.

To speed refund processing, DOR conducts successful campaign to encourage use of the Form ABC: As a result, over 300,000 Form 1 filers switch to the simpler Form ABC.

Comprehensive *Taxpayer's Guide to the Department of Revenue* released; guide summarizes the rights and responsibilities of both DOR and taxpayers.

DOR receives national award for excellence in training.

DOR completes major redesign of its computer system.

Delinquent tax collections exceed half a billion dollars.

Massachusetts Revenue Commissioner and New York City Commissioner of Finance sign formal agreement allowing the exchange of tax information and enforcement resources between the Commonwealth and the City of New York.

DOR continues to develop successful cases against criminal tax offenders: As a result, the Commonwealth achieves a 100 percent conviction rate on criminal tax cases selected for prosecution, including the imposition of 11 fines and the two longest jail sentences in state history.

DOR's Child Support Enforcement Division (CSE) collects nearly $70 million from non-custodial parents on behalf of their families receiving Aid to Families with Dependent Children (AFDC); an additional $107.2 million is collected on behalf of families not on AFDC.

DOR assumes financial management of all of the Commonwealth's new AFDC and non-AFDC child support cases from the courts and continues to absorb existing caseload from 84 courts throughout the state and out-of-state child support agencies.

The Department continues to produce essential publications on child support, ranging from a summary of child support enforcement rights for welfare recipients to a guide on how to establish paternity.

DOR's Local Services Division manages $2.57 billion local aid distribution as well as a schedule of emergency local aid advances to prevent local cash flow crises.

Local Services administers $20 million Emergency Assistance Fund established by the Legislature to ease reductions in local aid among the most severely impacted cities and towns.

Local Services helps communities implement new deeds excise legislation and quarterly tax billings to increase revenues and generate savings.

Local Services provides data, analysis and recommendations on municipal finance to assist the Governor's Task Force on Local Finance.

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Introduction

Concerns about the economy were a dominant focus in Massachusetts in Fiscal Year 1990. After a decade of rapid growth in the high technology and finance industries, FY90 marked the onset of recession in the Northeast. Ripples of the general slowdown were seen in sluggish real estate markets, rising unemployment and a slowing of wage growth.

As business profit margins waned and consumer spending fell, the Commonwealth witnessed a sharp drop in revenues that cut across all tax types. These continued revenue declines dictated budget cutbacks and reductions in personnel throughout the Commonwealth, impacting state and local government services.

At the same time, the financial challenges facing local governments, the need for current tax revenue guidance, and the growing demand for strong enforcement of child support laws, made the services that the Department of Revenue (DOR) provides even more important to Massachusetts citizens and communities. In FY90, DOR worked hard to restrict costs without sacrificing its high standards of customer service.

DOR Moves Quickly to Educate Taxpayers on Personal Income Tax Law Changes

Perhaps the greatest tax administration challenge facing DOR in FY90 was the implementation of legislation that fundamentally changed the Commonwealth's personal income tax system. In July 1989, the Legislature passed Chapter 287 of the Acts of 1989, a temporary, two-year income tax increase that not only raised the basic tax rate for earned income, but also exempted certain types of income from the increased rate. In so doing, this legislation created three distinct tax rates and income categories — the first such change to the underlying income tax structure since the Commonwealth established a two-tiered income tax system nearly 20 years ago.

DOR moved quickly to educate taxpayers and tax practitioners as well as its own employees about the impact of the new law. Three days after final approval of the legislation, for example, DOR mailed notices explaining the law change to the Commonwealth's largest employers — firms employing 80 percent of the state's workforce. Within 10 days, the Department had mailed complete withholding tables to all 190,000 Massachusetts employers.

DOR's next challenge was to rewrite and redesign all of the state's principal personal income tax forms used by over four million taxpayers each year. This effort included extensive revisions to Form 1, the comprehensive resident form; Form ABC, the resident short form; Form 1-NR, the nonresident form; and all the supporting schedules and secondary forms.

Although reporting three categories of income meant that the 1989 tax forms would be more complicated than in previous years, DOR's goal was to keep tax forms as simple as possible by using color-coding to highlight changes and distinguish between income categories. Once the new forms had been designed, advance proofs were circulated among tax professionals outside the Department for comment and critique; many of these suggestions were incorporated into the final forms.

Once final drafts of the tax forms were approved, DOR changed all 55 of its personal income tax computer programs to ensure form accuracy and data entry efficiency and began preparing its taxpayer assistance staff for what promised to be a demanding filing season. Tax specialists received intensive training so they would be familiar with the new law and ready to assist taxpayers by preparing tax returns, answering questions and responding to written inquiries. Throughout FY90, more than 1.4 million taxpayers took advantage of DOR's telephone and walk-in tax assistance.

In addition to revising tax forms, DOR added a new section to its publication, *A Guide to Filing Your Massachusetts Income Tax Forms*, the Department's equivalent of IRS *Publication 17*. The new section contained detailed explanations of the tax changes brought about by Chapter 287 and included helpful examples and samples of completed forms.

One of DOR's top priorities for the filing season was to continue to issue refunds as quickly as possible. Anticipating that an increase in taxpayer errors would slow processing time, and without the resources to hire more data entry operators, DOR encouraged eligible taxpayers to file the easier-to-use and faster-to-process Form ABC rather than the more comprehensive Form 1. Over 300,000 Form 1 filers made the switch to the Form ABC after DOR raised the income eligibility level to $80,000 and mailed an ABC to all eligible taxpayers. Even with a 20 percent increase in taxpayer errors, DOR was able to get refunds out to ABC filers in just 12 days on average — two days faster than originally pledged.

Taxpayer Rights and Responsibilities Detailed in DOR's Comprehensive Guide to the Department

In addition to providing effective taxpayer assistance programs and fast refunds, DOR is committed to helping taxpayers comply with the law by offering clear guidance on even the most complicated tax matters. Part of that commitment means making sure taxpayers know how to get answers to questions and where to go within the Department to resolve difficult tax issues.

In FY90, DOR published *A Taxpayer's Guide to the Department of Revenue*. The guide covers a wide range of issues frequently raised by taxpayers — from how to get basic information to how the audit process works. The guide also explains all of the rights a taxpayer has to appeal a DOR decision. Although the guide contains extensive information on Massachusetts tax law and procedures, it is designed to assist the average taxpayer who has no prior experience dealing with the Department. Written in the most straightforward and nontechnical terms possible, the guide makes it far easier for taxpayers to understand their rights and responsibilities under the law.

DOR Pursues Innovative Enforcement Efforts and Expands Cooperative Partnerships with Other States

In FY90, DOR's enforcement staff brought in over half a billion dollars in delinquent tax collections. Despite overall revenue declines, delinquent tax collections in FY90 reached $520 million — almost matching those of FY89, a year in which a substantial infusion of resources produced record-breaking results.

Despite significant attrition in its auditor and collector ranks, DOR conducted over 133,000 audits in FY90. At the same time, each DOR collector brought in, on average, $1.7 million, as the many audits initiated in FY89 continued to work through the collection pipeline.

Finding new ways to collect delinquent tax dollars from those who do not comply with the law is key to an effective tax enforcement program. During FY90, for example, DOR's ongoing probe of foreign auto manufacturers reaped a $9.1 million tax settlement from Mercedes-Benz of North America, Inc. — the largest Massachusetts tax settlement of its kind ever. As part of the settlement, Mercedes-Benz agreed to pay corporate taxes on its Massachusetts earnings as well as to file returns and pay taxes for all taxable periods since it began conducting business in the Commonwealth. Initiated by DOR's New York Audit Office in 1985, these investigations uncovered six automakers who failed to meet their Massachusetts tax requirements and have netted the Commonwealth nearly $20 million in delinquent taxes.

FY90 also saw DOR's Criminal Investigations Bureau break new ground. Following a year-long investigation by DOR and the state Attorney General's Office, 15 individuals were indicted for failing to file or pay state taxes on a total of $7 million in unreported income. The defendants included attorneys, consultants, contractors, salespeople and factory workers from eight counties across the state. This investigation represents the Commonwealth's largest single group of tax indictments and included the first estate tax indictment in state history.

In FY90, DOR continued to expand its cooperative programs with other tax jurisdictions, bringing its total number of information exchange agreements with other states to 47. In an unprecedented partnership, the Department also signed an agreement with New York City allowing the exchange of tax information. This agreement will broaden DOR's ability to discover and collect delinquent taxes owed to the Commonwealth by New York individuals and firms while helping New York City recover revenue legitimately due it by Massachusetts-based taxpayers.

DOR Collects Nearly $70 Million on Behalf of Families Receiving Aid to Families with Dependent Children

During FY90, DOR collected nearly $70 million on behalf of families receiving Aid to Families with Dependent Children (AFDC), while collections for families not on AFDC topped $107 million. Since assuming responsibility for the Commonwealth's Child Support Enforcement Program in July 1987, one of DOR's primary challenges has been to take over the financial management of all new AFDC and non-AFDC child support cases from the courts. DOR realized that goal during FY90 by undertaking collection and disbursement responsibility for all new cases.

At the same time, DOR is assuming responsibility for the 70,000 existing AFDC and non-AFDC cases which are currently spread out among 84 courts across the state and out-of-state child support agencies. To achieve this transfer, thousands of weekly payments and millions of dollars must be redirected from the courts and centralized within one collection and disbursement facility — a task which DOR expects to complete by the close of FY91.

The Family Support Act, which was enacted by Congress in 1988, established strict new timeframes for the processing of both AFDC and non-AFDC cases. During FY90, the Department began to develop the computer system that will enable DOR to meet these federal requirements for both managing cases and collecting and remitting payments more effectively.

Throughout the last fiscal year, the Department worked to make families who rely on child support aware of the various child support services available to them. DOR produced an informational guide for AFDC recipients, explaining their child support enforcement rights, and a brochure describing how to establish a child's paternity. In a third brochure, DOR detailed the rights and responsibilities of non-custodial parents who have been ordered by a court to pay child support.

DOR Intensifies its Fiscal Management Efforts to Help Local Communities

Throughout FY90, DOR provided prompt and practical guidance to Massachusetts cities and towns, as the impact of declining state revenues filtered down to the local level. In a climate that combined decreasing revenues for local aid with increasing fixed costs for municipal services, DOR moved quickly to avert widespread fiscal chaos among Massachusetts communities.

One of DOR's ongoing responsibilities is to determine local aid allocations and to process local aid distributions. During FY90, that task took on a new level of importance when the state's revenue shortfall resulted in delayed and reduced local aid payments. By carefully monitoring cash flow on a community by community basis and, in cooperation with the State Treasurer, making advance emergency payments to the most severely stricken communities, DOR helped prevent a municipal cash crisis that would have resulted in loan defaults and missed payrolls.

The Department also administered a $20 million Emergency Assistance Fund established by the Legislature to soften the blow of local aid cuts. Priority was given to communities whose budgetary shortfalls were so severe as to result in a loss of essential services. After developing the application procedures and criteria, DOR allocated funds (based on severity of need) to 51 of the 102 communities that applied for assistance.

While this fund was created as a one-time reserve to cushion the most severe budget imbalances, DOR also helped communities take the necessary steps to restore long-term fiscal stability. These efforts included conducting budget management workshops, providing intensive technical assistance to communities literally on the brink of fiscal collapse, and helping develop and implement new legislation that would enable communities to increase revenues and achieve savings. With the passage of a local option provision allowing communities to institute quarterly tax billings, for example, cities and towns were able to improve cash flow, reduce borrowing costs and increase earnings.

The Department also expanded its role in the monitoring and oversight of county finances and budgets as part of new deeds excise legislation. The law raised the deeds excise to provide additional revenues to communities experiencing fiscal stress — particularly in operating jails and other correctional facilities.

In addition to helping communities counteract escalating cash flow and revenue problems, DOR continued to carry out its normal regulatory functions of setting tax rates and certifying property values. During the course of FY90, 1,855 local officials received training at 26 DOR courses, workshops and seminars statewide.

Legislative Review

An Act Relative to Certain Liens on Real Estate and Future Interests (St. 1989, c.205) — This act provided that the inheritance tax lien charged by G.L.c.65 and by corresponding provisions of prior laws upon any real estate shall terminate 10 years after the date of death of the deceased. In the case of a lien imposed upon a future interest, said lein shall terminate 10 years after the right of possession or enjoyment accrues, unless, prior to such termination, the Commissioner of Revenue shall have commenced an action to enforce such lien and shall have recorded notice of such action in the registry of deeds for the district where the land upon which the lien is claimed lies, or in case of registered land, in the appropriate registry district.

An Act Making Appropriations for the Fiscal Year Nineteen Hundred and Ninety for the Maintenance of the Departments, Boards, Commissions, Institutions and Certain Activities of the Commonwealth for Interest, Sinking Fund and Serial Bond Requirements and for Certain Permanent Improvements (St. 1989, c.240) — This act provided that every corporation that files a return may voluntarily contribute all or part of any refund to which it is entitled or may voluntarily add an amount on to any amount due to be credited to the Massachusetts Nongame Wildlife Fund. This act further provides that the Commissioner of Revenue shall annually report the total amount designated under this section to the State Treasurer who shall credit such amount, plus accrued interest, to the Nongame Wildlife Fund.

An Act Making Appropriations for the Fiscal Year Ending June Thirtieth, Nineteen Hundred and Eighty-Nine to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects (St. 1989, c.287) — This act contained certain taxation provisions that temporarily increased personal income tax rates, created a new class of income, and revised S corporation taxation. This act included the following:

- The personal income tax rate was increased on certain Part B income for two years by imposing an additional tax of 0.375 percent for taxable years commencing in 1989 only, and an additional tax of 0.75 percent for taxable years commencing in 1990 only. The additional tax applied to all Part B income **except** Massachusetts bank interest, pension and annuity income, rental income from real estate, alimony, unemployment compensation, and IRA/Keogh distributions. These six categories of income were classified as Part C income and the tax on them remained at 5 percent;
- No change was made in the rate of tax on Part A income, which continued at 10 percent;
- The additional revenue accruing from the tax increase was earmarked for debt service payments attributable to the Commonwealth Liability Reduction Loan, Act of 1989 and the Medical Assistance Liability Loan, Act of 1989; and
- The taxation of S corporations was revised by allowing all federal S corporations to be Massachusetts S corporations for taxable years ending on or after December 31, 1989. This, in effect, removed the limitations placed on larger Massachusetts S corporations under Mass. St. 1988, c.202. If a Massachusetts S corporation has total receipts of $6 million or more, it is subject to an additional excise on income at the corporate level of 3 percent (if total receipts are below $9 million) or 4.5 percent (if total receipts are $9 million or more). Corporate trusts that are federal S corporations were not granted Massachusetts S corporation status. Income would be taxed to the trust, and distributions to the beneficiaries of such trusts were exempted from the personal income tax.

An Act Requiring the Use of the Names of Both Spouses on Certain Documents and Communications (St. 1989, c.400) — This act provided that the Department of Revenue not use a legal phrase as a substitute for the name of either a husband or wife in any communication, document or writing intended for use outside the Department.

An Act Relative to the Wage Reporting System (St. 1989, c.419) — This act authorized the Commissioner to require employers having 2,500 employees or more, and having the capability to file their quarterly wage reports on machine-readable magnetic tape, to file such reports on magnetic tape.

An Act Authorizing the Waiver or Abatement of Interest and Penalty on Use Taxes Assessed upon Certain Out-of-State Nonbusiness Purchases (St. 1989, c.424) — This act authorized the Commissioner, for good cause, to waive or abate interest and penalties usually required to be included in use tax assessments upon personal, nonbusiness goods purchased in Connecticut and Rhode Island by Massachusetts residents prior to June 1, 1988. This act:

- Applied only if the use tax assessments result directly from information obtained under the Tri-State Compact among Massachusetts, Connecticut and Rhode Island;
- Allowed applications for waiver or abatement of such interest to be filed on or before December 31, 1991, in addition to the time periods provided under G.L.c.62C, s.37;
- Provided that interest shall accrue upon such assessment not paid within ninety days following the date of the notice of assessment;
- Provided that the Commissioner's special authority to waive or abate interest or penalty charges on such assessments terminates on December 31, 1992; and
- Provided that no penalty shall be imposed upon such assessment if the assessment is paid within 90 days following the date of the notice of assessment.

An Act Further Regulating the Disclosure of Tax Information (St. 1989, c.439) — This act contained several provisions that modify the prohibitions on the disclosure of tax information. This act:

- Clarified the Commissioner's authority to utilize taxpayer return information in notifying governmental agencies of the extent of tax delinquency so as to prevent regulatory or contract action in favor of such taxpayer or in aiding authorized private contractors to collect assigned delinquent taxes;
- Extended the Commissioner's authority to disclose, upon request, whether or not a taxpayer has filed any type of tax return, including business returns; and
- Set forth the confidentiality of internal standards, data and criteria used by the Department of Revenue in the conduct of its audit and compliance activities. The disclosure prohibition on such information is applicable if the Commissioner determines that disclosure would seriously impair assessment, collection or enforcement under the tax laws.

An Act Establishing the Budget Control and Reform Act of 1989 (St. 1989, c.653) — This act contained certain taxation provisions that: required payments by bottlers and distributors of carbonated soft drinks, mineral water, beer and other malted beverages; established new rules for the issuance of certain business motor vehicle registration plates; and revised the collection process for the local motor vehicle excise.

Bottle Bill Provisions

The provisions regarding bottle deposits required that each bottler and distributor of carbonated soft drinks, mineral water, beer and other malted beverages establish a

separate trust fund for bottle refund deposits — the "Deposit Transaction Fund" — and make payments to the Department of Revenue of any "abandoned deposit amounts."

The law required that bottlers and distributors establish, as of January 1, 1990, a Deposit Transaction Fund that includes the refund values received in October, November and December of 1989. At the bottler's or distributor's option, this amount may be transferred from the fund maintained under the prior bottle law for the Alcoholic Beverage Control Commission. In addition, each month after December 31, 1989, the bottlers and distributors must deposit into their Deposit Transaction Funds the refund values received for nonreusable beverage containers sold in the Commonwealth.

Special Motor Vehicle Registration and Excise Provisions

These provisions substantially changed the law affecting vehicle registration plates issued to auto repair shops, owner-contractors and farmers as well as the taxation of such vehicles under the motor vehicle excise. Effective for the registration year starting January 1, 1991:

- The number of motor vehicles eligible for repair plates will be drastically reduced. Repair plates will only be used temporarily on customer vehicles in a repair establishment;
- Vehicles with repair plates will no longer be entitled to an exemption from the motor vehicle excise; and
- Vehicles of owner-contractors and farmers will be required to display a sticker issued by DOR as evidence of compliance with the sales tax law.

Local Motor Vehicle Excise Provisions

Local motor vehicle excises remaining unpaid on or after January 4, 1990 are subject to a revised collection process. Continued nonpayment of the excise will result in nonrenewal of the vehicle's registration and the owner's driver's license. In addition, the excise was specifically fixed at $25 per $1,000 of value with no annual adjustment based on the three-year average of property tax rates.

Cherry Sheet Receipts for Cities, Towns and Regional School Districts—Fiscal Years 1986–1990

(in millions)

ITEM RECEIPTS Cities and Towns	FY86	FY87	FY88	FY89	FY90*	$Change
REIMBURSEMENTS						
Loss of Taxes, all programs	$ 32.7	$ 34.8	$ 17.9	$ 19.4	$ 19.4	$ 0.0
Veterans' Benefits	11.7	12.5	9.0	11.3	10.9	(0.4)
Pensions to Retired Teachers	21.5	22.3	22.3	22.2	22.1	(0.1)
Urban Renewal, 3 programs	1.6	1.2	1.4	1.3	1.7	0.4
School Transportation, 2 programs	101.4	53.7	59.6	63.3	59.8	(3.5)
Public Libraries, 2 programs	8.9	14.5	14.4	14.7	15.3	0.6
School Construction & Repair	82.4	102.1	108.9	106.8	108.5	1.7
Racial Imbalance, 3 programs	20.2	18.7	28.6	26.2	24.8	(1.4)
School and Elderly Lunch	4.6	5.5	5.5	5.1	5.4	0.3
Highway & Transit, 2 programs	21.0	21.0	21.0	20.9	14.3	(6.6)
Other Programs	72.4	78.9	150.2	123.0	114.7	(8.3)
TOTAL REIMBURSEMENTS	**$ 378.6**	**$ 365.2**	**$ 438.8**	**$ 414.2**	**$ 396.9**	**$ (17.3)**
DISTRIBUTIONS						
Chapter 70	$ 924.5	$ 998.6	$ 1,071.1	$ 1,108.9	$ 895.5	$ (213.4)
Lottery, Beano, etc.	174.1	195.0	215.0	306.0	306.0	0.0
Additional Assistance	559.2	714.5	814.7	765.0	765.0	0.0
Highway Fund	21.8	23.2	23.5	24.7	24.0	(0.7)
Urban Redevelopment Excise	36.3	42.1	44.8	43.6	47.7	4.1
Boston Funding Loan Act	11.8	14.4	8.7	—	—	0.0
County Jail Grants	—	—	—	21.6	22.2	0.6
TOTAL DISTRIBUTIONS	**$1,727.7**	**$1,987.8**	**$2,177.8**	**$2,269.8**	**$2,060.4**	**$(209.4)**
TOTAL RECEIPTS—Cities and Towns	**$2,106.3**	**$2,353.0**	**$2,616.6**	**$2,684.0**	**$2,457.3**	**$(226.7)**
Regional School Districts						
REIMBURSEMENTS						
Regional School District Aid	$ 70.4	$ 77.5	$ 88.3	$ 99.2	$ 102.3	$ 3.1
School Transportation	23.9	25.5	27.4	29.6	29.5	(0.1)
School Construction and Repair	15.0	19.4	16.3	19.3	20.1	0.8
Other Programs	11.8	21.3	19.5	15.6	14.9	(0.7)
TOTAL REIMBURSEMENTS	**$ 121.1**	**$ 143.7**	**$ 151.5**	**$ 163.7**	**$ 166.8**	**$ 3.1**
DISTRIBUTIONS						
Chapter 70	$ 107.5	$ 105.8	$ 107.8	$ 109.9	$ 113.3	$ 3.4
TOTAL RECEIPTS—Regions	**$ 228.6**	**$ 249.5**	**$ 259.3**	**$ 273.6**	**$ 280.1**	**$ 6.5**
TOTAL DIRECT AID*	**$2,334.9**	**$2,602.5**	**$2,875.9**	**$2,957.6**	**$2,737.4**	**$(220.2)**

*FY86–89 figures are Actual Receipts, FY90 figures are Cherry Sheet Estimates.

The Taxes—Fiscal Year 1990

TYPE OF TAX	MEASURE	RATE[1]	RETURN DUE
Personal Income	Dividends, Capital Gains[2] & Interest other than Mass. bank interest.	12.0%	On or before April 15 for calendar year filings. The 15th day of the 4th month for fiscal filings.
	Other income	5.95%[3]	
Estimated Tax			Due quarterly on or before the 15th day of April, June, September and January.
Estate	Taxable estate (after expenses, debts, losses, exemptions, charitable and marital deductions)	5% to 16%	Within 9 months after the date of the decedent's death.
Alcoholic Beverages	Malt (31-gal. bbl.)	$3.30	Monthly, on or before the 20th day of the month.
	Cider 3%–6% (wine gal.)	$ .03	
	Still wine 3%–6% (wine gal.)	$ .55	
	Sparkling wine (wine gal.)	$ .70	
	Alcoholic beverages 15% or less (wine gal.)	$1.10	
	Alcoholic beverages more than 15%–50% (wine gal.)	$4.05	
	Alcoholic beverages more than 50% (proof gal.)	$4.05	
Cigarettes	20-Count package	$ .26	Monthly, on the 20th day of the month. Unclassified importers must file upon importation or acquisition.
	25-Count package	$ .325	
Deeds	Sales price (less mortgage assumed) of real estate	$1.14[4] per $500	Monthly, on or before the 10th day of the month.
Motor Fuels	Gasoline and Diesel Fuel per gallon[5] Average wholesale price (17¢ minimum)	15.5%	Monthly, on or before the 20th day of the month.
	Propane, Liquified Gas, etc.[5] (No minimum)	15.5%	
	Aviation (10¢ minimum)	7.5%	
	Jet Fuel (5¢ minimum)	5%	
Room Occupancy	Transient Room Occupancy	5.7%	On or before the 20th day following the close of the tax period.
	At local option, up to	4.0%	**If annual liability:** Up to $25,000—Monthly filings Over $25,000—Monthly payments, Quarterly filings
Sales and Use Tax	Sale, rental or use of tangible personal property, including cigarettes.[6]	5%	On or before the 20th day following the close of the tax period. **If annual liability:** Up to $100—Annual filing $101–1,200—Quarterly filings $1,201–25,000—Monthly filings Over $25,000—Monthly payments, Quarterly filings

[1] Tax rates as of August 1, 1990.
[2] While capital gains are taxed at 12.0%, taxpayers can deduct 50% of net long-term capital gains, creating an effective tax rate of 6%.
[3] For 1991 only, 6.25%.
[4] $2.28 from 7/1/89 to 6/30/92 except in Barnstable County, where the rate is $1.71 from 7/1/89 to 6/30/92. Barnstable County levies an additional $1.14 per $500 as a county tax.
[5] Rate is 15.5% of average wholesale price, with a 17¢ minimum. As of Jan. 1, 1991, 19.1% with a 21¢ minimum where applicable.
[6] Includes telecommunications, certain fuel as of 9/1/90 and certain recreational, entertainment and other business services as of 3/6/91.

TYPE OF TAX	MEASURE	RATE	RETURN DUE
Sales Tax on Meals, Prepared Food and/or Alcoholic Beverages	All "restaurant" food and on-premise consumption of alcoholic beverages in any amount.	5%	On or before the 20th day following the close of the tax period. **If annual liability:** Up to $25,000—Monthly filings Over $25,000—Monthly payments, Quarterly filings
Business Corporation	Net Income Tangible Property or Net Worth Minimum	9.5%[7] $2.60 per $1,000 $456	15th day of third month after close of taxable year.
Estimated Tax	Liability in excess of $1,000		Due quarterly as follows: 15th day of third month of taxable year—40%[8] 15th day of sixth month of taxable year—25% 15th day of ninth month of taxable year—25% 15th day of twelfth month of taxable year—10%[8]
Security Corporation			
Regulated	Gross Income	0.33%	Same as business corporations.
Unregulated	Gross Income Minimum	1.32% $228	
Commercial Bank and Thrift Institution	Net Income	12.54%	Same as business corporations.
Public Utilities	Net Income	6.5%	Same as business corporations.
Insurance Company			
Domestic Life	Premiums Mass. Net Investment Income	2.0% 14.0%	On or before March 15.
Foreign Life	Premiums	2.0%	
Domestic Casualty	Premiums Gross Investment Income	2.28% 1.0%	On or before March 15.
Foreign Casualty	Premiums	2.28%	
Ocean Marine	Underwriting Profit	5.7%	On or before May 15.
Club Alcoholic Beverages	Gross Receipts	0.57%	On or before April 15.
Motor Vehicle garaged outside Massachusetts	90% to 10% of Manufacturer's list price	$25 per $1,000	On or before thirty days from issuance of tax bill.

[7] S corporations: 4.5% if total receipts $9 million or more, 3% if total receipts are $6 million or more but less than $9 million.
[8] 30% and 20% for corporations with less than 10 employees in its first full tax year.

Revenue Collections
Fiscal Years 1986–1990 *(in thousands)*

STATE TAXES COLLECTED BY DOR	FY86	FY87	FY88	FY89	FY90	%Change
Tax on Personal Income						
TOTAL	**$ 3,628,493**	**$ 3,995,649**	**$ 3,984,746**	**$ 4,286,696**	**$ 4,465,226**	**4.2**
Taxes on Business						
Corporations	$ 802,558	$ 814,082	$ 771,806	$ 887,059	$ 698,408	(21.3)
Insurance Companies	187,896	215,071	241,226	294,585	265,453	(10.0)
Public Utilities	73,140	57,635	74,007	72,245	62,043	(14.1)
Commercial Banks	121,163	120,527	110,963	125,155	64,525	(48.4)
Savings Institutions	72,188	108,638	108,111	98,316	46,219	(53.0)
TOTAL	**$ 1,256,945**	**$ 1,315,953**	**$ 1,306,113**	**$ 1,477,360**	**$ 1,136,648**	**(23.1)**
Taxes on Commodities Sold						
Motor Fuels	$ 288,603	$ 297,404	$ 305,517	$ 306,871	$ 301,955	(1.6)
Cigarettes	173,264	170,626	168,479	158,626	150,769	(5.0)
Alcoholic Beverages	80,258	80,321	78,012	75,753	70,776	(6.6)
Sales & Use	1,452,092	1,600,004	1,733,313	1,787,063	1,660,519	(7.1)
Sales on Meals	258,108	265,750	287,780	296,874	295,948	(0.3)
TOTAL	**$ 2,252,325**	**$ 2,414,105**	**$ 2,573,101**	**$ 2,625,187**	**$ 2,479,967**	**(5.5)**
Other Taxes						
Estate & Inheritance	$ 210,714	$ 223,084	$ 254,701	$ 258,560	$ 276,447	6.9
Room Occupancy	37,086	39,724	50,222	57,896	56,626	(2.2)
Deeds	43,160	53,277	50,562	46,076	37,629	(18.3)
Club Alcoholic Beverage	387	372	423	555	848	52.8
Motor Vehicle	527	344	932	1,188	2,063	73.7
Savings Dep. Insurance/Mass. Housing Partnership	11,000	12,282	3,454	6,546	—	(100.0)
TOTAL	**$ 302,874**	**$ 329,083**	**$ 360,294**	**$ 370,821**	**$ 373,613**	**0.8**
Total State Taxes Collected by DOR	**$ 7,440,638**	**$ 8,054,790**	**$ 8,224,255**	**$ 8,760,065**	**$ 8,455,454**	**(3.5)**

LOCAL TAXES COLLECTED BY DOR ON BEHALF OF COMMUNITIES	FY86	FY87	FY88	FY89	FY90	%Change
Urban Redevelopment	$ 36,536	$ 42,207	$ 44,196	$ 43,706	$ 45,761	4.7
Local Option Airplane Jet Fuel	11,375	13,223	12,477	13,129	13,252	0.9
Local Option Room Occupancy	10,786	23,157	31,155	35,112	37,613	7.1
Boston Excise Fund	12,053	14,086	6,601	—	—	NA
Total Local Taxes Collected by DOR on Behalf of Communities	**$ 70,750**	**$ 92,673**	**$ 94,429**	**$ 91,947**	**$ 96,626**	**5.1**
OTHER REVENUE						
Sav. Co-op Ins./Oil Haz. Material	$ —	$ 21,000	$ —	$ —	$ —	NA
Utility & Insurance Assessments	3,751	3,558	7,059	4,743	3,388	(28.6)
Departmental Fees, Licenses, etc.	7,458	8,041	8,571	9,540	9,617	0.8
Commonwealth Liability Reduction Fund	—	—	—	—	444,502	NA
County Correction Fund – Deeds	—	—	—	—	4,813	NA
Abandoned Deposits – Bottle	—	—	—	—	8,350	NA
Total Other Revenue	**$ 11,209**	**$ 32,599**	**$ 15,630**	**$ 14,283**	**$ 470,670**	**3,195.3**
STATE TAXES COLLECTED BY OTHER AGENCIES						
Horse & Dog Racing	$ 37,168	$ 35,679	$ 33,328	$ 32,666	$ 31,749	(2.8)
Beano	5,275	5,150	5,173	5,065	4,927	(2.7)
Raffles/Bazaars	1,078	1,207	1,265	1,248	1,357	8.7
Special Insurance Brokers	—	5,547	6,834	6,967	7,561	8.5
Re-emp. & Job Placement Fund	—	—	—	10,633	18,259	71.7
Total State Taxes Collected by Other Agencies	**$ 43,521**	**$ 47,583**	**$ 46,600**	**$ 56,579**	**$ 63,853**	**12.9**
TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT						
Real Estate	$ 3,141,323	$ 3,376,401	$ 3,656,391	$ 3,991,502*	$ 4,321,833	8.3
Personal Property	168,056	159,890	148,392	130,603	140,464	7.6
Motor Vehicles	241,863	224,708	266,925	337,232	314,879	(6.6)
Total Taxes on Property Collected by Local Government	**$ 3,551,242**	**$ 3,760,999**	**$ 4,071,708**	**$ 4,459,337**	**$ 4,777,176**	**7.1**
TOTAL ALL TAXES	**$11,117,360**	**$11,988,644**	**$12,452,622**	**$13,382,211**	**$13,863,779**	**3.6**

Because of rounding, detail may not add to Totals.

**DOR has estimated the collections for the purpose of this comparison.*

Offers in Final Settlement —Fiscal Year 1990

Under G. L c. 62C, sec. 37A, the Commissioner of Revenue has the authority, under specific conditions, to accept less than full payment as a final settlement for a state tax liability. The statutory condition for such settlements is "serious doubt" as to collectibility of the tax due or the taxpayer's liability for it. The Commissioner must also determine that the taxpayer has acted without intent to defraud. The settlement must be recommended to the Commissioner by at least two deputy commissioners.

The written agreement, signed by all parties and including the reasons for settlement, is a public record. Any agreement in which the tax reduction is $20,000 or more or the settlement is less than half the full liability must be reviewed by the Attorney General of the Commonwealth, who has the authority to reject it.

The law requires that a listing of all settlements entered into during the fiscal year be included in the Commissioner's annual report. In Fiscal Year 1990, 13 settlements were made. Ten were reviewed by the Attorney General. Thirty-five other offers for settlement were refused.

The cases approved were as follows:

NAME	TOTAL TAX, INT. & PEN.	AMOUNT IN SETTLEMENT	AMOUNT ABATED
Group Boston, Inc.	*$217,461*	*$ 55,500*	*$161,961*
Estate of Felix Magolis	*6,638*	*4,260*	*2,378*
National Waste & Metal Company	*14,216*	*12,000*	*2,216*
Benjamin Seigal	*55,366*	*5,428*	*49,938*
CPT Corporation	*65,469*	*19,728*	*45,742*
Atlas Elevator Co., Inc.	*294,728*	*55,000*	*239,728*
Patricia A. Distefano	*36,720*	*13,226*	*23,494*
John & Shirley Lamondia	*12,698*	*6,150*	*6,549*
Carl A. Taylor	*36,173*	*12,000*	*24,173*
George & Verna Holst	*67,309*	*40,000*	*27,309*
James J. Wall, Jr.	*43,458*	*18,000*	*25,458*
Charles & Suzanne Blaser, d/b/a Wilbraham Upholstering & Furniture Co.	*28,376*	*8,000*	*20,376*
Robert Schena	*18,732*	*10,000*	*8,732*
TOTAL	***$897,344***	***$259,292***	***$638,054***

Because of rounding, detail may not add to Totals

Collection Agencies—Fiscal Year 1990

Chapter 209 of the Acts of 1988 permits the Commissioner of Revenue to use private collection agencies to collect unpaid state taxes. The Commissioner is required to notify any taxpayer whose accounts are to be assigned to a collection agency at least 30 days beforehand.

The law requires that the Commissioner list all agencies with whom collection agreements exist, the amount of taxes collected and the amount of compensation paid in the Department's annual report. They are as follows:

CONTRACTOR	TOTAL COLLECTED	FEES PAID	NET TO DOR
Capital Credit Corp.	746,721	151,158	595,564
Corliss Credit Services	$ 800,678	$172,258	$ 628,420
GC Services Ltd. Ptshp.	60,323	11,201	49,122
TOTAL	**$1,607,722**	**$334,617**	**$1,273,105**

Because of rounding, detail may not add to Totals.

Resources

In addition to the instruction booklets that come with the major tax forms, the Department of Revenue (DOR) produces a number of publications on various state tax issues for taxpayers. These publications are available through DOR's Taxpayer Assistance Bureau unless otherwise noted.

Publications on the Department's child support enforcement services as well as on issues of interest to Massachusetts cities and towns also are available.

MASSTAX Guide
Contains seven volumes covering all state taxes, local property taxes and DOR administrative procedures and is available for purchase through West Publishing Company or for reference at many law libraries and the State House Library in Boston.

A Taxpayer's Guide to the Department of Revenue
Describes the services available to taxpayers through DOR, offers detailed information on DOR's administrative process — including audit and collection activity — and explains the various appeal routes open to taxpayers.

A Guide to Taxpayer Assistance
Describes all of the main services and special programs offered by DOR's Taxpayer Assistance Bureau.

A Guide to Filing Your Massachusetts Income Tax Forms
Is updated annually to offer detailed instructions and examples for taxpayers with relatively complicated tax situations.

Should You Be Paying Estimated Taxes?
Outlines filing and payment responsibilities for taxpayers who do not have state taxes automatically withheld each pay period.

A Guide to Sales and Use Tax
Includes information on what is taxable, sample forms and a tear-out tax collection schedule for vendors.

Should You Be Paying Use Tax?
Details the responsibilities of individuals and businesses for paying use tax on purchases made outside of the Commonwealth.

A Guide to Estate Taxes
Covers all aspects of the Commonwealth's estate tax laws, including definitions, rates and differences from federal law and is available from the Estate Tax Bureau.

Small Business Information Packet
Contains registration materials, tax information, sample forms and information from other state agencies.

Taxpayer Advisory Bulletin
Is published quarterly with updates on legislative, legal and Departmental decisions and is available at most libraries or through DOR's Publications Office.

DOR Directives, Technical Information Releases (TIRs), Rulings and Regulations
Are prepared on general tax issues as well as specific taxpayer inquiries and are published in the MASSTAX Guide or are available from the Rulings and Regulations Bureau.

Kids Come First: A Guide to Child Support Enforcement Services
Provides an overview of services DOR can offer families seeking child support for their children and is available through DOR's Child Support Enforcement Division (DOR/CSE).

Withholding Wages For Child Support: An Employer's Guide
Describes employers' responsibilities for withholding wages for child support and is available through DOR/CSE.

Paternity Establishment: Protect Your Child's Rights
Explains how DOR can help custodial parents establish paternity for their children and is available through DOR/CSE.

Everything You Always Wanted to Know About Levy Limits...But Were Afraid to Ask: A Primer on Proposition 2½
Discusses the basic provisions of Proposition 2½, focusing especially on those aspects of the law that have caused the most confusion to local officials and is available through DOR's Division of Local Services.

Additional reports and publications on local tax and fiscal issues are available through Local Services.

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